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## Senate

(Legislative day of Monday, January 30, 1995)

The Senate met at 9:30 a.m., on the expiration of the recess, and was called to order by the President pro tempore (Mr. THURMOND).

### PRAYER

The Chaplain, the Reverend Richard C. Halverson, D.D., offered the following prayer:

Let us pray:

*My grace is sufficient for thee: for my strength is made perfect in weakness.*—II Corinthians 12:9.

Gracious Heavenly Father, often when we need Thee most, we find it hardest to come to Thee. Sometimes we do not come because we are impressed with our strength and do not feel any need. Sometimes we do not come because we have failed or sinned and refuse to admit our need. Either way, it is pride which deprives us of Thy favor. Forgive us, Lord, for finding it so difficult to understand the meaning of grace, that grace means the unmerited favor of God.

Help us see that the one condition grace requires is admission of need; that it is our weakness which qualifies us for Thy strength; that it is our lack of wisdom which qualifies us for Thy light and truth; that it is our failure and sin which qualify us for Thy love, forgiveness, and renewal.

Loving God, we have no secrets from Thee. Thou knowest us far better than we know ourselves. Help us to humble ourselves before Thee and find in Thy grace a very present help in time of trouble. Touch every person in the Senate with grace and love and healing. Forgive and restore wherever there is need—in heart and office and home.

We pray in the name of Him whose grace is always more than sufficient, however great our need. Amen.

### RECOGNITION OF THE ACTING MAJORITY LEADER

The PRESIDENT pro tempore. The acting majority leader is recognized. Mr. LOTT. I thank the Chair.

### SCHEDULE

Mr. LOTT. Mr. President, this morning the time for the two leaders is reserved, and there will now be a period for the transaction of morning business until the hour of 10 a.m., with Senators permitted to speak for up to 10 minutes each, with the following Senators permitted to speak for the designated times: Senator BOND 10 minutes and Senator HUTCHISON 10 minutes. At 10 a.m., the Senate will resume consideration of House Joint Resolution 1, the constitutional balanced budget amendment.

I should advise Members we do expect that an amendment will be laid down this morning for debate only.

Mr. President, I yield the floor.

### MORNING BUSINESS

Mr. BOND addressed the Chair.

The PRESIDING OFFICER (Mr. INHOFE). The Senator from Missouri.

Mr. BOND. Mr. President, I thank the Chair.

### THE FUTURE OF FEDERAL HOUSING POLICY AND HUD'S BUDGET CRISIS

Mr. BOND. Mr. President, I rise today to discuss the future of Federal housing and community development policy and the financial and management crisis currently facing the U.S. Department of Housing and Urban Development.

Last November, the American people declared their anger and frustration with inefficient, ineffective, and waste-

ful Government programs of the past and demanded change. This new Congress must deliver on that mandate, not with more promises and debates, but with specific action and workable solutions. I emphasize that this mandate has provided the House and Senate with a real opportunity to revitalize Federal housing policy; namely, to redirect Federal housing and community development policy from HUD micromanagement to a policy of consolidation based on State and local decisionmaking.

I look forward to working with my colleagues, including my new ranking member, Senator BARBARA MIKULSKI, our new chairman of the Banking Committee, Senator D'AMATO, Senator SARBANES, and the new chairman of the Housing Opportunities Subcommittee, Senator MACK, and my friends across the aisle, to find the appropriate reforms and meaningful approaches to address the many housing and community needs of this country.

Primarily, I seek to sound an alert to my colleagues to the budgetary crisis at HUD and use this opportunity as a call to action. HUD has been likened to a massive bureaucratic and budgetary *Titanic* drifting inexorably on the shoals of spending reductions and a balanced budget amendment. We can't stop it, and we can't turn it around on a dime. No doubt some of our colleagues would just as soon fiddle with the deck chairs, and others would simply scuttle the vessel.

Moreover, I share many of those concerns. Despite my reservations about the great difficulty of finding real and meaningful solutions to the budgetary and management crisis facing the Department of Housing and Urban Development, I accepted the responsibilities of chairman of the Senate VA-HUD Appropriations Subcommittee for the 104th Congress.

In order to reach a better understanding of the HUD budgetary crisis, I

• This "bullet" symbol identifies statements or insertions which are not spoken by a Member of the Senate on the floor.



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began on January 19, 1995, a series of three hearings on HUD management, program status, program reform, and HUD funding before the VA-HUD Appropriations Subcommittee. We have completed these three initial hearings and the subcommittee has heard compelling testimony from a number of sources, including HUD Secretary Cisneros, the National Academy of Public Administration, the General Accounting Office, Ms. Susan Gaffney, the HUD inspector general, the Congressional Budget Office, the FHA Commissioner, Nicolas Retsinas, as well as testimony from witnesses representing housing organizations, and State and local officials.

I hope that these hearings will help both me and my colleagues in the weeks and months ahead to formulate, craft, and implement the changes—in some cases profound changes—which are necessary to sustain the Department and to serve the needs of our communities.

First, these hearings clarified that HUD programs as they currently stand cannot be sustained in this era of a freeze on discretionary spending. But if we are to preserve the billions of dollars of prior investment in the assisted housing inventory, and provide hope to millions of lower income families, senior citizens, the disabled, and the communities in which they reside, then we must chart a new course, and put steady and firm pressure at the helm.

I believe it important that I highlight and share some of the key issues we have identified and discussed over the last several weeks.

HUD, with an estimated \$22 billion in annual outlays in fiscal year 1994, is one of the largest Federal agencies in terms of domestic discretionary spending with almost 12 percent of the federalwide total.

HUD is also one of the fastest growing Departments in terms of domestic discretionary spending, increasing at a rate of 9 percent per year.

Moreover, HUD has amassed over \$225 billion in unexpended budgetary authority, more than the entire Department of Defense and dwarfing all other Federal agencies. In fact, even were HUD abolished in fiscal year 1995 and no additional budget authority appropriated, HUD's outlays—actual dollars spent—for fiscal year 1996 would still go up.

Finally, in addition to substantial evidence of organizational, management, and program deficiencies, HUD faces a thicket of complex problems of enormous magnitude, including: First, the need to minimize mortgage loan defaults and address the physical inadequacies of insured multifamily properties, an area of critical importance since HUD expects to lose some \$10 billion in multifamily loan defaults over the next 6 years; second, the need to resolve the billions of dollars of backlogged housing rehabilitation needs, increased vacancy rates, and declining tenant incomes for public housing resi-

dents; and third, the need to address the spiraling costs of providing Federal housing subsidies to lower income families.

Despite these problems, I emphasize that previously enacted limitations on discretionary spending do not allow any increase in current appropriations, even for inflation. In fact, the most recent analysis indicates that even with a hard freeze on overall discretionary spending, current budget caps will be breached by a total of \$15 billion in budget authority and \$11 billion in outlays over the next 3 fiscal years.

Nevertheless, the notion of a hard freeze is totally incompatible with HUD's projection of program needs. The HUD budget baseline, for example, suggests that we will increase budget authority by almost \$70 billion and outlays by \$26 billion over the next 5 fiscal years. The Department has indicated that the President's budget will reduce this increase down to an estimated \$20 billion in budget authority and \$13 billion in outlays. I again stress that these funding requirements are still substantial increases over the current rates of spending. Not only are we in the dark on how the Department plans to make these reductions and meet these projections, but, if accepted, Congress must find this \$20 billion in budget authority and \$13 billion in outlays from other programs over the next 5 years.

I want to make it clear about the extent of the HUD problems and the costs associated with these problems. Resolving them is a particularly difficult task since HUD has grown from an agency with some 50 programs in 1980 to an agency with the responsibility for over 200 programs currently. Therefore, I will address two broad categories of programs with which we are all familiar—the public housing program and the section 8 program. While I describe these programs in the singular, I remind my colleagues that there are many subsets of programs within each program.

Public housing: As for the public housing program, there are currently some 13,200 public housing developments, administered by 3,200 PHA's. These developments contain some 1.4 million units, with 92 percent occupancy as of 1991, providing shelter for more than 3.4 million low-income, public housing residents, 40 percent of whom are elderly or disabled.

Public housing has become, in general, housing of last resort; the assisted housing stock that tends to warehouse the poorest of the poor. In particular, median income in public housing is approximately 16 percent of the local area median income, down from 33 percent in 1980. The average income of nonelderly public housing residents is less than \$7,000.

Operating subsidies continue to cost about \$2.7 billion per year. Yet, much of this stock is in physical distress and aging, with modernization needs that exceed \$20 billion. Moreover, many of

the older public housing developments are in neighborhoods that are distressed. Nearly all 700,000 nonelderly public housing households live in areas that are characterized by extreme poverty and high crime rates. Nevertheless, the public housing program continues to stagnate, strangled by bureaucratic redtape and unworkable legislative mandates.

Section 8: The Section 8 Rental Assistance Program is a microcosm of the budgetary crisis facing the Department. About 2.8 million lower income families receive assistance under the section 8 program. To be blunt, HUD estimates that by fiscal year 1996 the total cost of renewing section 8 tenant-based assistance known as vouchers and certificates will exceed \$9.5 billion in budget authority, whereas the current appropriation is less than \$3.3 billion. This budget estimate assumes a HUD shortening of contract term renewals from a traditional 5 year period to a 3-year contract term. By the year 2000, the annual cost of these section 8 contract renewals would approach \$20 billion in budget authority. In the current fiscal climate, the Federal budget cannot begin to meet these renewal commitments; thus threatening hundreds of thousands of families currently receiving assistance with eviction or dramatic rent increases.

The cost of section 8 project-based assistance similarly is reaching crisis proportions. Some 940,000 units were developed under the section 8 new construction and substantial rehabilitation contracts of the 1970's and 1980's. Most of these units have been financed with section 8 project-based contracts that exceed the local fair market rents or the rents of comparable units, and in many cases these contracts represent 140 percent or more of the fair market rent. The budget authority for these contracts was appropriated to cover contract costs for 20- to 40-year periods, and many of these section 8 project-based contracts are now starting to come up for renewal.

These section 8 project-based contracts represent another hard decision and another high cost for the Government. However, these projects continue to house poor families, with some 47 percent of the units occupied by the elderly. Many of these projects are insured by the Department or financed with direct loans by the Department. Estimates show that approximately 390,000 of these projects, or 41 percent are insured or held by the Department. Another 240,000, or 25 percent, constitute section 202 elderly and disabled projects. The majority of the remaining one-third of the inventory are projects financed by State housing finance agencies.

Finally, there is the issue of the prepayment program first initiated in the 1987 Housing Act and permanently authorized as part of the 1990 National Affordable Housing Act where Congress

authorized incentives for certain owners of HUD-insured projects not to prepay their mortgages and keep their units affordable for low-income tenants. Owners of some 400,000 rental units are, or soon will be, eligible to apply for these financial incentives, including equity take-out loans. In these cases, the Government will pay increased section 8 assistance to owners to cover the cost of the incentives. The HUD IG Susan Gaffney recently identified this program as a "rip-off" to the American taxpayer. In fact, the costs for these additional subsidies will run into the billions of dollars.

As I have indicated these are issues that require congressional attention and responsible action. It took decades of neglect, through many Congresses and several administrations, both Democratic and Republican, to create a problem of this enormous magnitude and complexity. HUD cannot be fixed overnight, or by simply passing a law with the word "reform" in its title. I stress that we need to redirect Federal housing and community development policy from Federal micromanagement to the consolidation of programs with an emphasis on State and local decisionmaking.

We need to get away from the one-size-fits-all mentality and provide flexibility at the State and local level—we need to do this by making housing more affordable through approaches such as public-private partnerships, employment incentives for low-income families, mixed income projects, and the demolition of substandard housing where the demolition makes sense.

Mr. President, I raise these issues now because it is important that all of my colleagues and those in the administration and those who are concerned about housing focus on the difficult problems we face and help us develop the drastic solutions that we need to continue our commitment to housing, yet to do so without bankrupting the budget or taking away from other very needed programs.

Mr. President, I yield the floor and suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mrs. HUTCHISON. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Under the previous order, the Senator from Texas is recognized to speak for up to 10 minutes.

#### UNFUNDED MANDATES

Mrs. HUTCHISON. Mr. President, last week the Senate approved landmark legislation to protect States and communities from unfunded Federal mandates, and yesterday, the House followed suit. When the President signs this legislation, we will witness a sea

change in the relationship among Federal, State, and local government.

Let me remind my colleagues, however, that when we consider the staggering load of unfunded mandates the Federal Government imposes on State and local governments, southern border States such as Texas bear a huge share of the burden.

Last year, I asked Congress to allocate \$350 million to the affected States for incarcerating illegal alien felons. Congress took a significant step in rectifying this situation when it appropriated \$130 million for the purpose. This was the first time in history the Federal Government has ever acknowledged its fiscal obligation to States directly impacted by Federal policies—and failures.

But that appropriation was merely an initial installment on what is actually a huge, crippling debt incurred by the Federal Government.

This year I am calling on President Clinton to include that \$350 million allocation in his budget proposal—to move closer toward Federal acknowledgment of the true magnitude of the costs of illegal immigration to this country.

Illegal aliens, who enter our States and take up permanent, unlawful residence, are there as a result of the Federal Government's failure to carry out one of its most important functions—the securing of our borders. Texas, California, Arizona, New Mexico, and even Florida, absorb the brunt of these costs.

My State and others similarly affected are required by Federal law and Federal courts to pay for incarcerating illegals who commit crimes and also for the costs of education, welfare, medical services, and a host of other government-funded programs serving illegal aliens.

The Federal Government underwrites very little of these expenditures. But under the threat of penalty imposed by Federal law State and local taxpayers are coerced into footing the bill.

Texas, alone, must spend more than \$60 million a year to keep illegal alien felons in prison—California nearly \$400 million.

Texas also spends more than \$60 million annually on unreimbursed Medicaid services to illegal aliens.

Texas like other States—is experiencing a seemingly insoluble school funding crisis, due in part to the presence of illegal alien children which the Federal courts have ruled must be educated.

In several Texas school districts, close to 50 percent of the students enrolled are the children of illegal aliens. In some cases, children cross the border from Mexico every day to attend school in Texas.

In La Joya, a small lower Rio Grande Valley town near Brownsville, a third of the school district's enrollment comes from Mexico. Yet school officials are forbidden to ask students for proof of residency—in their school district.

A study by Rice University in Houston estimates that Texas pays, all told, \$1.4 billion a year to provide federally mandated services to illegal immigrants.

This is \$1.4 billion a year we do not have, or, if we did, could be put to better use for Texas taxpayers.

For instance, that \$1.4 billion would more than make up for the funding shortfall in Texas schools.

The situation has become intolerable—and resulted unfortunately in a backlash against all immigrants such as we witnessed in California during the debate over proposition 187. I am thankful the situation in Texas has not yet reached this point.

But the unfunded mandates situation has reached the crisis stage in its impact on our State and local budgets.

To put it plainly, the Federal Government is shifting the responsibility for these mandated expenditures onto the backs of Texas taxpayers. Texans are being forced to provide social benefits to individuals who have broken our laws, jumping ahead of those who play by the rules—while the Federal Government looks the other way. Illegal immigrants ought not be entitled to State taxpayers' money for simply crossing the border—and breaking our laws in the process.

In the past, I have supported the assignment of more Border Patrol agents to make our border areas more secure. The immigration reform bill I introduced in the 103d Congress would have put 6,000 more agents in the field to stop this flagrant and habitual violation of U.S. law.

Now my colleague, Senator GRAMM, has introduced another illegal immigration bill which would put even more new agents on the border, realizing that we are going to have to get serious about stopping the influx of people who are illegal into our country.

One of the reasons I am a strong advocate of the unfunded mandate legislation is that it will enforce a kind of truth-in-lawmaking we have not seen in Washington for decades—putting a clear price tag on programs and policies when they are foisted onto the States.

This correction in our country's course is long overdue.

#### THE BALANCED BUDGET AMENDMENT

Mrs. HUTCHISON. Mr. President, we have seen the debate this week in the Senate on the balanced budget amendment.

I am very pleased that the House of Representatives has taken this step already, and now it is up to the Senate to decide if Americans finally will have the opportunity for their legislatures to vote to adopt a very important amendment to our Constitution. It is